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CENTRAL INTELLIGENCE AGENCY

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State Department review completed

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GENERAL

1. Continued sizable flow of strategic materials to Orbit foreseen for 1952:

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[Redacted]

The US delegation to the current Coordinating Committee negotiations on strategic exports believes that in 1952 exports to the Soviet bloc, which are subject to quantitative controls, may be limited to one-tenth of the participating countries' total exports to the Orbit. Previously, it had been estimated that strategic items would account for possibly one-third of total exports to the East.

The delegation assumes that the total exports will reach a value of 510 million dollars, compared to 535 million in 1950. These estimates do not include "illegal" trade.

Comment: The estimates of strategic exports do not take into account items such as tin, rubber, and ships, not covered by the Committee's restrictions. During the first six months of 1951, moreover, even embargoed items, valued at nearly 3 million dollars, were permitted to enter the Orbit as exemptions under embargo agreements.

Furthermore, illegal or "unrecorded" trade, will be largely in strategic materials and will supply the Soviet bloc additional imports which are likely to equal in value the 1952 export total assumed above.

USSR

2. Soviet ultimatum on assistance to Iran reported:

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[Redacted]

The USSR allegedly has intimated to the Iranians that they will be given until 11 December to decide whether to "ask for Soviet assistance."

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Comment: This warning undoubtedly refers to a Soviet offer made in September to provide Iran with economic assistance and qualified oil technicians. While it is possible that the USSR is applying pressure to conclude such an agreement, it is unlikely that the Iranians will respond. Furthermore, the ultimate aims of the Soviet Union could hardly be furthered by closing the door on negotiations.

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WESTERN EUROPE

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8. Difficulties foreseen in negotiations on West German defense contribution:

The Allied High Commissioners in Germany plan to meet with Chancellor Adenauer on 14 December to discuss the question of a

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west German contribution to western European defense. An effort will then be made to convince the Chancellor of the reasonableness of the Allied request for 3.2 billion dollars for the next year and to offset the campaign waged by Finance Minister Schaeffer against the size of the contribution.

The French representative on the High Commission, acting under instructions, has refused to discuss with Adenauer the extent to which military equipment could be produced by the German economy until the question of the provision of security safeguards has been agreed upon by the three Governments.

Comment: Schaeffer, representing the reactionary wing of Adenauer's government, has always been hostile to Allied economic policies in Germany. Although backed by German financial interests, he has no widespread popular support.

Until security safeguards are assured, the French are not likely to retreat to the extent of discussing German production of munitions, particularly in view of the worsening prospects for early conclusion of a European Defense Forces agreement.

9. Pleven government threatened on ratification of Schuman Plan:

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The US Embassy in Paris estimates that the Pleven government "should be able to muster a narrow majority" for the vote of confidence on the Schuman Plan on 11

December. Although this vote will be taken on a motion by non-Gaullist rightists to return the treaty to committee for further study, rather than on the question of ratification, Pleven made it plain that approval of this motion would amount to rejection of the Plan.

Comment: Assembly approval of this motion would be an important step toward cooperation of rightist coalition elements with the Gaullists as well as a serious blow to the centrist coalition on which the present cabinet is based.

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